COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

IN RE: HOLDINGS ACQUISITION CO., LP (RIVERS CASINO)

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PUBLIC HEARING

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BEFORE: Gregory C. Fajt, Chairman

Raymond S. Angeli, Jeffrey W. Coy,

James B. Ginty, Kenneth T. McCabe,

Gary A. Sojka, Kenneth I. Trujillo; Members

HEARING: January 26, 2011, 10:01 a.m.

LOCATION: Keystone Building

400 North & Commonwealth

Hearing Room #1

Harrisburg, PA

WITNESSES: Andrea Kleinrock, Richard Marion

Reporter: Cynthia Piro Simpson

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PROCEEDINGS

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CHAIRMAN:

Good morning, everybody. I'm Greg Fajt, Chairman of the Gaming Control Board. As is our normal practice, I'd like to ask everybody to please turn off their cell phones and PDAs so they do not interfere with our system this morning.

Joining us today is State Treasurer Rob McCord; Bob Coyne, representing Acting Secretary of the Department of Revenue, Dan Meuser. And I believe that Dan Tufano is here representing Acting Secretary of Agriculture, Mike Pechart. And thank you all for coming.

A quorum of the Board is present. I'd like to call today's meeting to order. And as our first order of business, please join me in the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN:

I note that we had a couple of last-minute scratches from the agenda yesterday at the request of two parties seeking Board action. But notwithstanding that fact, we still have two items on the board today by way of public hearings, which will

take place prior to our public meeting.

2 The first public hearing pertains to 3 Holdings Acquisition Company, LP's Petition for Approval of Ballroom Construction at the Rivers Casino. And immediately following our first hearing, Holdings Acquisition will address its second petition, seeking approval of a modified gaming floor plan. For each matter we will take evidence from the Licensee, as well as the Office of Enforcement Counsel. 10 Board will then be given an opportunity to ask 11 questions of the parties and their witnesses. At the conclusion of both hearings, we will take a recess to 12 conduct quasi judicial deliberations before returning 13 to conduct our regularly-scheduled meeting. 14

I see that Holdings Acquisition is at the table. Prior to your presentation, could all 16 17 witnesses for both petitions being present for Holdings Acquisition and the Office of Enforcement 18 Counsel who are not attorneys please stand to be sworn in.

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22 WITNESSES SWORN EN MASSE

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24 CHAIRMAN:

I'd also ask, including legal Counsel,

before beginning your comments today, if you could please spell your name and state your name for the stenographer. And with that, Holdings Acquisition, you may begin. Welcome.

ATTORNEY SKLAR:

Good morning. Michael Sklar, S-K-L-A-R, on behalf of Rivers Casino. The first petition is for approval of the ballroom construction. As the Board is aware, when Don Barden first was approved for the Rivers Casino, one component of his project was the construction of a ballroom. At that time, Mr. Barden proposed to locate the ballroom on the second floor. And when some of the witnesses testify, they'll be able to orient you on the different pictures that we have in the presentation. So, he initially proposed to locate it on the second floor, and it's not on the river side. There's no window --- there was going to be no window. So, it was on the interior part of the building.

Today, what we're requesting the Rivers
--- current Rivers management, with the benefit of a
year-and-a-half of operations, they think that a
better location is above the Wheelhouse --- the
existing Wheelhouse Bar, which is in the southeast
corner of the building. Again, they'll orient you.

But by --- on the second floor still. But by doing that, it will enable the Rivers to take advantage of the views, the outdoor patio, and the space is just tremendous. So, the --- we think that the benefits are fantastic to move it to this new location, and the construction will still be completed within the two years.

If you remember when Holdings Acquisition was approved, when they came into the project, the --- one of the modifications to the development plan was pushing out the construction of the ballroom from the first phase to a later phase. And the Board, in our Statement of Conditions, the requirement was to have it completed within two years of opening, which is August of 2011. And with this proposed new location, we'll be able to construct and open it within that time frame.

So, with that, I'd like to introduce

Andrea Kleinrock, who is the Vice President of Food

and Beverage, and she'll go through some of the

specifics.

MS. KLEINROCK:

Good morning.

CHAIRMAN:

Welcome.

MS. KLEINROCK:

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2 Thank you. My last name is --- my first 3 name is Andrea, my last name is Kleinrock, K-L-E-I-N-R-O-C-K. Today I just wanted to talk about the proposed site. As you can see in this picture here, on the right-hand side, next to the Drum Bar, like Michael said, we have all windows, a balcony, a great view that our guests seem to love down the Wheelhouse and the Drum Bar to have their parties now. 10 So, we feel the proposed space with the windows is 11 going to really attract guests and put us apart from 12 our competition in the city so quests can book 13 their ---. 14 Just to go through the slides that we 15 have ---. 16

ATTORNEY SKLAR:

Andrea, can you just orient the Board and the people who are here exactly where the Drum Bar is and ---?

MS. KLEINROCK:

I'm sorry. The Drum Bar is in the center, where there are lighted areas in the center, where there's the chandelier. So, right here is the Drum Bar, and the proposed space is right here. the windows go all the way around. So, you'll see

from our valet area all the way through the river scenes. You can see the bridges as well there. So, it's a great location, with windows. And like I said, our customers love the view, and I think we have a spectacular view that we really need to show off to sell this space.

And this is a closer view here. Right here is our balcony area. The only other place in downtown Pittsburgh that has a balcony is the Convention Center. So, I think this will set us apart from our competition as well. And it's great to have an outdoor cocktail area for guests to go in the springtime and the summertime to start their reception off, and then go into the ballroom.

The proposed ballroom space is approximately 15,000 square feet, which includes support areas. We are building a kitchen back there to plate up our dinners that we will have for our functions, any food stuff that will be going on and our beverage. There's flexible configurations, which you'll see on the next slides, that we put together. Here, we can hold a concert event that will have over a thousand seats in it that we can have entertainment, any type of seminars that are large. This room will hold over a thousand people. We can also have a

full-service dinner area, which will seat 672 people.

So, the space is very large for big banquet events.

We can also, with this room, have multi-functions

going on. So, the room can be split in half. And

right here you'll see we have air walls, and you can have two functions going on at once. So, there's 280

seats that we can put on this side, and on this side there's about 230 seats.

We can also have two functions going on for a full-service dinner at the same time. And then we can have a pre-function space in the middle. While one event is going on, there's still a pre-function space for the other event. So, there's multiple ways to break this room down to have two or three events going on at the same time.

MR. MARMION:

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My name is Richard Marmion, that's

M-A-R-M-I-O-N. Some of the benefits of this new

location are the spectacular views. I worked at Heinz

Field as the executive chef for about three years, and

we had two club areas that we sold. We did about 300

functions a year there. We had an East Club and a

West Club. The East Club was 50 to 1 sales because of

the view. The East Club views the whole downtown

skyline and the Point, where the West Club kind of

looks at the West End Bridge and some warehouses and
the Science Center. So, the view there was really,
really huge. You know, you get the city, you get --during fireworks in Pittsburgh, it's huge. We can
really pump them through in that area. The outdoor
patio, like Andrea was saying, it's really a great
benefit because we could have numerous styles of party
out there. You could have the cocktail reception.

You know, if we did any VIP events, they could have
their VIP area outside, which would be really, really
nice.

This area is also good for our guest traffic flow because down the road I believe a hotel is going to be built, which will be built right next to this area. So, it will be --- you know, the guests can come from the hotel right into the ballroom area without having to really get lost or wander around. And like Andrea said, you know, we can get more bookings because of the views. And I think the flexibility is there. There's numerous settings we can do and hold numerous parties at once.

MS. KLEINROCK:

The banquet space will cost approximately \$2 million. And with the Board approval, the ballroom will be completed in the summer of 2011. We plan on

1 hiring a full banquet management team for this area, a banquet chef, a sales director in that area, as well as a banquet service team. For our hourly employees, right now we have about 15 to hire. And as the space grows, the employees needed will grow as well.

ATTORNEY SKLAR:

With that, we'll entertain any questions that the Board or Enforcement Counsel has.

CHAIRMAN:

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Before we go to the Board, Enforcement Counsel, do you have a presentation or comments?

ATTORNEY CREANY:

Yes, we do, Chairman Fajt. My name is Eugene Barry Creany, it's C-R-E-A-N-Y, on behalf of the Office of Enforcement Counsel. I wanted to ask any of the witnesses from Rivers that are here today, when the proposal was being considered to move the site of the ballroom that we've seen in the PowerPoint today from the original position, where it was internal in the, I believe, southwestern end of the building, when that was being considered, did Rivers have any type of discussions or any studies or analysis done that would project what kind of benefits you would see to moving it to a smaller area, the 15,000 square foot over the river as opposed to the

original space that was much bigger?

MS. KLEINROCK:

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yes. We get calls every day from our guests. And the most that we've seen right now is about 500 to 600 people. So, the ballroom space --- the proposed ballroom space, the one that we were going to do before, is very big and not needed at this time as far as what the demand is in the market right now. We've been studying this --- I've been on board for over a year, and the calls that come in have been anywhere from 400 to 600 is the largest parties that we've seen. So, I don't feel that there's a need for a bigger space at this time. And hopefully, we can grow into that later on.

ATTORNEY CREANY:

When we were reviewing this petition, we had the prior blueprints, the floor plans for the second floor. And the ones that I had seen were the 31st of August 2007. They depicted this area that's being proposed as a ballroom as a future dining/nightclub. And I would ask Andrew or other witnesses from Rivers that can speak to it, was --- you know, is there any plans to have a, you know --- to substitute in a different area to put a nightclub in the Rivers?

MS. KLEINROCK:

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at this time, but --- and we still have the other space. We do have outside parties that call for that, to fill that space. So, that could be something that could happen in the future. But right now, we didn't feel there was a need for nightlife, and we feel that it's more profitable to have the ballroom instead of the nightlife.

ATTORNEY CREANY:

Are there any plans in consideration for how you might use that space that was formerly planned for the ballroom?

MS. KLEINROCK:

Not at this time.

ATTORNEY CREANY:

With respect to these events that you're planning, we saw they're meetings and banquets and such, has Rivers done any preliminary discussions and planning as to how you would limit the patrons that can go into those events as opposed to ones that are permitted on the gaming floor? Specifically, did you have any discussions about under 21 being admitted into the building, and how will you address keeping them off the gaming floor?

MS. KLEINROCK:

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We talked about under 21, and at this point we decided not to have under 21 come in. All of our parties now that we book in our banquet business, because we do parties in all areas, we don't have 21 in there. And all of our contracts and the guests are told that under 21 is not permitted at this time.

ATTORNEY CREANY:

So, for example, like a wedding you wouldn't be able to accommodate because you might likely have under 21 at those events; is that correct?

MS. KLEINROCK:

That's correct.

ATTORNEY CREANY:

You know, even in this slide it's saying there's approximately \$2 million in the built-in construction costs. Has that money been funded?

ATTORNEY SKLAR:

The money is available. It's been 20 budgeted and it's available. With the Board approval, 21 they're ready to go.

ATTORNEY CREANY:

And assuming that the Board approves the 24 petition, what is the estimated timeline of construction? Here we have an approval. I believe

the start date of gaming was August 9th of 2009. So, we have until August 9th of 2011. What's your 3 estimated timeline for the building construction? 4 MS. KLEINROCK: 5 It's about a three-month process, so our blueprints are --- have been worked on. The kitchen 6 design has been done, so we have to submit for a petition. So, I would say it's about a three-month build-out, and we will be done by August. 10 ATTORNEY CREANY: 11

Okay. Thank you. I have no further questions.

CHAIRMAN:

Thank you, Counselor. Any questions --or do you have a presentation beyond your questions?

ATTORNEY CREANY:

17 No, sir.

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CHAIRMAN:

19 Okay. Any questions from the Board?

20 Yes. Commissioner Coy?

MR. COY:

22 Thank you. Just a quick question or two.

23 Do have in hand the necessary --- if there are

24 municipal permits required to do this construction or

25 are you waiting for this approval?

17 1 MS. KLEINROCK: 2 Permits that we --- we're starting the 3 permit process. I mean, we needed to wait for the approval. So, we will go through all the proper permit requests. 6 MR. COY: 7 And how long do you think that will be? MS. KLEINROCK: 8 9 They're saying it's about a month or two 10 months. 11 MR. COY: 12 From now or from when you started? 13 MS. KLEINROCK: From now. 14 15 MR. COY: Good. Thank you. 16 17 CHAIRMAN: 18 Commissioner Trujillo? 19 MR. TRUJILLO: 20 Thank you, Mr. Chairman. Mr. Sklar, I take it --- and this is Condition 54 of the Statement 21 22 of Conditions of the original license, as I understand 23 it. Is that your understanding? 24 ATTORNEY SKLAR: 25 Yes.

MR. TRUJILLO:

And I know --- I don't think you represented Mr. Barden, but did Mr. Barden miss the river in 2006, or how was it that we come here today to have you --- I mean, as I see this, the river was always there, the view was always there, the terrace possibilities. All of the benefits that were being described have been there since 2006. So, we don't have any change in conditions or a sudden discovery of a body of water, do we?

ATTORNEY SKLAR:

I do not believe so.

MR. TRUJILLO:

So, is --- and I just want to make sure that the only reason that you're requesting to change is that it's a lack of demand for the space of the original ballroom? Is that ---?

ATTORNEY SKLAR:

I don't know if it's so much of a lack of demand. I think just think that the location with the river views is just going to generate a lot more bookings, which is, you know, really the goal here.

It's just going to be a more attractive space.

MR. TRUJILLO:

And I understand, but we have two

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1 different things. We have both the addition of the
2 river view, so the location, but then the second part
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  of it is a reduction of the space of the ballroom from
  almost --- by a factor of four. I think that's right;
  right? I think the original --- wasn't the original
  ballroom in the 40,000 range?
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                ATTORNEY SKLAR:
                     My understanding, it was 19,000.
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                MR. TRUJILLO:
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                Oh, 19,000. And what will this one be
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  now?
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                ATTORNEY SKLAR:
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                Approximately 15,000 width. Without the
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  pre-function, I think it's about 12,000.
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                MR. TRUJILLO:
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                Okay. So, I'm sorry, 4,000 square feet
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   less?
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                ATTORNEY SKLAR:
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                12,000 versus --- 7,000.
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                MR. TRUJILLO:
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                7,000.
                        And actually, I'm a lawyer.
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   Okay. And the demand that you were describing is
23 typically between 400 and 600 guests. And is the
24 programming different? Namely, is it receptions,
25 banquets, or what's the difference in the demand
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versus what it was anticipated to be four years ago?

2 MS. KLEINROCK:

shows where private events, as far as seminars, speakers coming. There's a multiple of functions that we're being asked to do that we can't accommodate at this time, just based on the phone calls. And we keep a list of everything that everybody asks for. And based on all that feedback is how we design this room.

MR. TRUJILLO:

That's all I have, Mr. Chairman. Thank you.

CHAIRMAN:

Commissioner McCabe?

MR. MCCABE:

Yes, Mr. Chairman. I may be able to help clarify some of this, having been, since the very beginning, with Commissioner Coy and myself being the only two original left. I think Mr. Barden had plans to maybe make that amenity an entertainment area because of some of his connections with Motown, Smokey Robinson, and the economic times were different. And he wanted a nightclub for that to be a little bit of a gathering area. I think over the years we have found that that's not necessary. People are coming.

1 They're coming to the Wheelhouse, the Drum Bar, and that from my education of six years, a nightclub sometimes is more problems than a banquet room.

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In addition, I don't know if Mr. Barden ever really anticipated having a hotel. And with their long-term plans, in fact, economic conditions are right, where they're putting the hotel, this makes perfect sense to have. My understanding, you have a walkway, so you don't have to have the concerns, which I did, of security and having 18, 19, 20-year-olds coming to these functions, coming onto the gaming floor. They're able to go right from the hotel right to the meeting rooms or the banquet rooms for these festivities, so I think it's a good change in ownership and looking at the facility and their future plans. I can remember Smokey Robinson saying, you know, if you built this ballroom, I'll come and open it. I believe Mr. Barden, from my understanding venues that he can play now, the smaller venues.

I have just one question. How many jobs, new jobs --- how many construction jobs is this going to create and how many new jobs will this create for Pittsburghers?

MS. KLEINROCK:

I can't answer to the construction jobs.

I'm not sure about that. I don't know if ---.

ATTORNEY SKLAR:

There are --- I think they preliminarily identified some contractors to do the work, but I don't know that we have specific construction job estimates, but we can get those for you.

MS. KLEINROCK:

We're going to hire about 15 to 20 hourly employees and then a banquet management team, which will consist of about four or five people.

CHAIRMAN:

Thank you. Commissioner Sojka?

MR. SOJKA:

Just a few. Yet one more way to get at the question I think Commissioner Trujillo was asking and at the explanation that Commissioner McCabe gave, you've now costed out this project at about \$2 million totally. Do you have an estimate of what you would have spent had you done the original ballroom? It's larger, but it's a very different kind of space. It didn't have a balcony. It didn't have all those windows. It didn't wrap around. Do you know roughly what it would have cost to go ahead with the original?

ATTORNEY SKLAR:

I don't know that they ever got to the

point where they had cost estimates for the fit-out for the original space.

MR. SOJKA:

You understand the reason for the question obviously is, is this something you want to do because you want to spend less money. And just looking at the plans, I'm not sure that would be the case.

You mentioned that you're working on the kitchen, and then you talked about doing banquets. Is the kitchen going to be located in such a way that this room can be serviced both for food and beverage without disruption of any of the other activities?

MS. KLEINROCK:

Correct.

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MR. SOJKA:

Will it be underneath?

MS. KLEINROCK:

Right behind. So, it will be right in this area back here.

MR. SOJKA:

Oh, okay. Now, that then impinges a little bit on the original ballroom space; right?

MR. MARMION:

The main kitchen is going to be right by

the buffet kitchen. That will be more of a satellite,
played-up service-style kitchen, with not cooking
equipment but more of a played-up presentation
equipment area.

MR. SOJKA:

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Okay. So, you have a dumbwaiter or something. The point is that you won't have carts moving up from ---?

MR. MARMION:

No. We have a back-of-the-house hallway that the carts will be moving from the kitchen to this service area, and the guests will never really see it.

MR. SOJKA:

Okay. And you still have then most of the space that was originally designated for ballroom, will that just be shell space then at the moment, with its future yet to be determined?

MS. KLEINROCK:

At this time, yes.

MR. SOJKA:

So that doesn't preclude something along the lines of the original should the market justify both?

MS. KLEINROCK:

Yeah. That's something that we had hoped

to grow into in the future.

MR. SOJKA:

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And finally, this is an attractive space, obviously. Pittsburgh has glorious views on the river and you do have a great spot. Are you going to be able to take advantage of that during regular operation when you don't have banquets or events planned? Is it going to be, in any way, open to the public?

MS. KLEINROCK:

For firework shows, we could have stuff that would be open to the public for people to come in and see the space and see an event that's outside.

MR. SOJKA:

So when you do have your outside activities, you might make that available as a viewing area for your outside activities even though you didn't have an event scheduled?

MS. KLEINROCK:

Yes.

CHAIRMAN:

Commissioner Trujillo?

MR. TRUJILLO:

I just want to --- I think I --- thanks 25 to the testimony of fellow Commissioner, I think I

understand. So, the programming has gone from what was originally contemplated to be almost a concert venue to rental space for banquet and other types of meetings?

MS. KLEINROCK:

Correct.

MR. TRUJILLO:

There we go. I got it. Thank you.

CHAIRMAN:

Any other questions? Yes, Treasurer?

MR. MCCORD:

Mr. Chairman, I just want to focus on revenues, if I might. And the role of the Treasury in this is new, so I haven't had a chance to review your petition. What are the implications for gaming revenues, table gaming and slots revenues, if any, of this modification?

CHAIRMAN:

I don't know that there's been any kind of study trying to quantify exactly what the incremental increase will be. I just think that the analysis was more bookings, more patrons are going to be in the facility, and it's just --- you know, the logic says at least a portion of those patrons will visit the casino and gamble. I don't think that

there's been any study to quantify exactly what the impact would be.

MR. MCCORD:

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I think we'd be interested in, you know, sort of a back of the envelope assessment of that. And then similarly, I join Commissioner McCabe in an acute interest in jobs and sort of the delta between the jobs that might have been created under the original plan, although you don't want to build a white elephant, I understand, and the number of jobs that should be generated in this sort of soft economy.

Other question, what's the timetable? Assuming this is approved, how long would the 14 modification take?

CHAIRMAN:

It's anticipated that we'll be open 16 17 beginning of August of 2011.

MR. MCCORD:

And very little sort of patron flow problems to the gaming floors during construction, I 21 assume; is that right?

MS. KLEINROCK:

There'll be no interruption in the casino floor.

MR. MCCORD:

Thank you. 1 2 CHAIRMAN: 3 Thank you. Back to that chart. there balconies on both sides of that blue area that's jutting out? I assume that that area to the left --and if you could put your clicker --- the red clicker right there, that's a balcony; correct? 8 MS. KLEINROCK: 9 Correct. That would be the only balcony. 10 CHAIRMAN: 11 Okay. What is that area to the right that's jutting --- that area right there? 12 MR. MARMION: 13 14 That's just an overhang. 15 CHAIRMAN: It's what? 16 17 MR. MARMION: 18 It's just an overhang. I think it's ---19 CHAIRMAN: 20 Just an overhang, okay. And back to the 21 kitchen area, just so I understand, kind of a smaller 22 kitchen area. Where is the main kitchen area compared to that downstairs right underneath? 23

MR. MARMION:

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The main kitchen area would be to

29 the left. 1 2 CHAIRMAN: 3 Okay. MR. MARMION: 4 5 Approximately pretty far off that screen. 6 CHAIRMAN: 7 And I know that to the left of Okay. that area is your buffet area. 8 9 MR. MARMION: 10 That's where the kitchen is, attached to the back of the buffet kitchen. 11 12 CHAIRMAN: 13 Okay. I got you. I got you. Okay. 14 Thank you. Any other questions? Okay. Why don't we 15 conclude that hearing and move directly into the second petition. 16 17 18 HEARING CONCLUDED 19 20 21 CERTIFICATE 22 I hereby certify that the foregoing 23 proceedings, hearing held before Chairman Fajt, was reported by me on 01/26/2011 and that I Cynthia Piro 24

Simpson read this transcript and that I attest that

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